

**MINUTES
CHICOPEE MOBILEHOME RENT CONTROL BOARD
FEBRUARY 28, 2011**

MEMBERS PRESENT

Robert Hopkins, Sharyn Riley, Ron Lafond

ALSO PRESENT

Christine Lessing-Provost, Board's Attorney

OLD BUSINESS

Robert Hopkins: We do not have minutes as of this time. Under old business, do you want to make a Motion, Sharyn, about our memberships?

Sharyn Riley: I do, I would like to draft a letter to the Mayor requesting that he tries his best to fill our Board up to the five (5) members.

Robert Hopkins: Okay, Motion made, second?

Ronald Lafond: I'll second. *Motion passes unanimously.*

Robert Hopkins: I will write a letter to the Mayor.

Robert Hopkins: Reads Rules...

According to the Rules we now proceed with the presentation by the park owners first.

David Sanborn: My name is David Sanborn and I am here on behalf of Jean Real Estate, the owners of Kon Tiki Mobilehome Park. The Chicopee Rent Control Ordinance directs the Rent Control Board to follow a certain formula, and that formula says that there are two parts, one is reasonable operating expenses and the other is a fair return to the owner. Fair return to the owner also has two parts; one is the fair market value of the property, which is presumed to be the assessed evaluation for tax purposes unless there's an appraisal. In this case we used the assessed valuation set by the Board of Assessors. The other piece is what's called the Debt Service Rate generally prevailed over first mortgage lenders. We solicited an opinion from Kevin Van, a well known CPA here in Chicopee, and that opinion was submitted that that rate is 6.50%. You multiply those two numbers together assessed valuation and the 6.50% and that produces the fair return that the City Ordinance says the owner is entitled to on top of the operating expenses. *(Proceeds to go through the proposal item by item...)*

Robert Hopkins: Thank you very much Attorney Sanborn.

Kathleen Riccillo: Attorney Sanborn, why are we paying for office supplies, why are we paying for a repair of a phone or a replacement of a phone, a repair of a computer? We don't get to use these things, they're not for our use, they're for the offices use. Supplies, phone post office stamps, postal charges, Attorneys' fees, accounting fees, all of that is considered a business expense, we shouldn't be asked to pay for any of this. Why are we paying for all of this when it's considered a business expense?

David Sanborn: Business expenses the City Ordinance (inaudible), and it's a formula used around the state, operating expenses are all expenses it takes to run a business, that includes all operating expenses.

(Questions and Answers session).

Robert Hopkins: Attorney Sanborn, have you completed the presentation for the park owners?

David Sanborn: I have.

Robert Hopkins: Do the park owners have anything to add? Alright, I declare that the park has finished their presentation, all evidence has been received.

The park has completed their presentation, are there any comments from the tenants they wish to make for the record for our consideration?

Tenant: (Inaudible).

Christine Lessing-Provost: I will look at them.

Robert Hopkins: Alright, let the attorney look at them before the Board looks at them to determine whether or not it's new evidence.

Tenant: This is just to explain what we're saying about our park. It's pictures...(inaudible).

Christine Lessing-Provost: Attorney Sanborn, have you ever seen this?

David Sanborn: No, we haven't.

Christine Lessing-Provost: If I'm correct, and I was not present at the meeting when all the dates were set, Attorney Corridan was there, it was made very clear to all residents and the owners there were certain deadlines for submitting paperwork and at that point not only did the paperwork have to be submitted by a deadline, it also had to be given to the opposing parties. That deadline was not met, therefore, I am going to advise the Board not to accept these photos, they were not submitted by the deadline, therefore they cannot be considered as they are new evidence.

Kathleen Riccillo: This is just a statement that I put together to go along with the pictures. I live at 10 Kon Tiki Circle. When I purchased my property and was told there was going to be an in ground swimming pool put in and an auxiliary parking lot. There was also suppose to be a community house, a meeting place for all of the residents to get together, that also has not been forthcoming. Our roads are horrible. Patch jobs after patch jobs. We can't see our numbers on our mailbox when it's dark. We have been asking for a light to be put in the mailbox area. The fence that surrounds our property is the cheapest fence, it looks horrible, it's falling down.

Roger (inaudible): My name is Roger (inaudible), I live at 13 Kon Tiki. I would like to start off by complementing Jean Real Estate for a wonderful job you did this year, my only question is if you do (inaudible). I don't think the people deserve to get a 67% increase all at once.

Robert Hopkins: Any final comments, I'd like to close discussions.

Robert Hopkins: It appears that tenants have completed their rebuttal. We shall not take any more evidence from this point on nor shall we debate the issues amongst the Board. We have before us the proposal for KonTiki. Again, all of these figures is sworn to under penalties of perjury. Total income charge to all the park is \$55,800.00, and the projected expenses, without any consideration on net operating investment is \$57,000.00 as proposed here. We should go line by line.

Section 1-Administrative Costs

In addition, the bookkeeper is new to their books this year. Good business practice dictates that the expenses be charged off to the appropriate company, I think they did a fairly good job of separating out the 80/20; seems to be a fair distribution, do you agree that that seems to be a reasonable accounting method? So, the bookkeeper administration fee of \$1,497.60 seems to be reasonable, yes?

Board: Yes.

Robert Hopkins: We'll take a vote on each section, how's that work?

Board: Yes.

Robert Hopkins: Bookkeeper Administrative tax, that is something set by law; Park Manager Wages is using the 80/20 figure between the two parks, I think that's a reasonable calculation and it's \$23,699.00, is there a W-2 involved? Is this an employee or a sub-contractor? That seem like a reasonable amount? Do we think that's a reasonable expense? Does that \$23,699 include the rent or is that the actual salary?

Sharyn Riley: That's the salary.

Robert Hopkins: Any discussion on that item? Is this reasonable amount of this portion of their business?

Board: Yes.

Robert Hopkins: Credit checks \$50.00, accounting fees \$547.20.

Sharyn Riley: I would say that that is reasonable.

Robert Hopkins: We are at legal fees \$200.00, we said that was reasonable, yes?

Board: Yes.

Robert Hopkins: I am a little confused as to the breakdown of the Rent Control Fees at \$17,000.00 and why it would be an annual budgeting figure if they come before us every 15 years. Is it a one-time expenditure, is it amortized, Attorney Sanborn?

David Sanborn: Inaudible.

Robert Hopkins: But it doesn't say it's amortized, it says its \$17,000.00 budgeted and the Kon Tiki percentage is 20% which is the \$680.00, correct?

Sharyn Riley: But then it says 20% is the \$3,400.00 and then \$680.00 per year.

Robert Hopkins: So would that be a reasonable figure to put as an annual budget item, does that include the printing and all the expenses. Okay, postage, reasonable, office supplies, reasonable, main phone line, reasonable. The only thing that is questionable to be discussed is the \$680.00 under the Rent Control Fees to be discussed as a separate topic.

Board: Correct.

Robert Hopkins: Are we in agreement that all the other expenses constitute reasonable administrative costs?

Board: Yes.

Section 2- Operating Expenses

Robert Hopkins: Alright, Section 2 Operating Expenses: Electric; \$459.00, reasonable, water and sewer; \$16,633.00 I think is a reasonable expense, including sewer, trash removal; \$8,556.00 is what is proposed, these services are not currently being provided, so generally, we do not allow operating expenses to be charged for future expenditures; no evidence that it will happen so let's take out the \$8,556.00 and put in the \$4,968.00; Snow removal; \$3,700.00 – this contract is currently in effect, is this a reasonable figure? Salting; \$1,400.00, does this look reasonable?

Board: Yes, very reasonable.

Robert Hopkins: Lawn care landscape; \$500.00 for trimming, again, there was some discussion about how many trees were trimmed, is this in existing or a proposed?

Anita Rondeau: It's a proposed.

Robert Hopkins: Is this just for trimming or improve putting grass in?

Anita Rondeau: Inaudible.

Robert Hopkins: Do we think that's a reasonable expense?

Sharyn Riley: I think it's low if their doing the things that they need to be doing. Whether it's being done, that's another issue between the owner and the tenant.

Robert Hopkins: Right, so do we think that's an accurate figure?

Sharyn Riley: I think it's reasonable.

Robert Hopkins: Jean Real Estate Office Lease; \$1,200.00, the share for Kon Tiki is \$100.00 a month, 1,200.00 total for the year for Kon Tiki's portion of the real estate rental Reasonable?

Board: Yes.

Section 3-Maintenance Expenses

Robert Hopkins: So the only thing we have adjusted is the trash removal. Again, phone refurbishment, this looks like its amortized. \$105.17 total, do you have a full maintenance contract on that system?

Owner??: We pay it as it needs fixing.

Robert Hopkins: Next item; Rubbish Area Set-up; \$1,775.00, this is a proposed figure, not an actual figure at this time?

Owner?? Inaudible.

Robert Hopkins: So we'll just back that right out. \$3,000.00 general maintenance for all the parks, 20% for the Kon Tiki portion, so that's basically \$50.00 per month. Does this seem reasonable?

Sharyn Riley: It's certainly low.

Robert Hopkins: Replacing the fence; \$935.33, again, this is a proposal this is not a fence that has been replaced, this probably should be addressed by capitalization and re-addressed under amortization. Replacing the fence, if it was a done deal I would put it in, but it is not actually happening.

Ronald Lafond: Yes.

Robert Hopkins: So we will remove that from the maintenance expense. Roadway paved amortized; \$207.67 again, a project that was proposed and not completed.

David Sanborn: That was done.

Sharyn Riley: In 2007.

Robert Hopkins: This is the first time you're trying to recoup on it?

David Sanborn: This is the first time we come before the Board.

Robert Hopkins: If it's \$3,115 from 2007 it's currently 2011 and if it's a 15 year amortization, should we subtract four years from that? It should have been amortized already, right?

Board: Right.

Robert Hopkins: I don't know what amortization is on a black top road, it says paved. I don't know if that means patched or if it means paved?

Owner?: It was patched.

Robert Hopkins: If it's patching it's a maintenance expense; if it's replacing the road, it's a capitalization expense, by my thinking. If that's what they ask for \$207.67 total for the entire year, we'll just take that, we will allow that. Again, those are the Section 3 maintenance expense, the only thing we backed out was the Rubbish Area Set-up, again, if they change it and go to a dumpster, come back and we will allow it in the future.

Sharyn Riley: And the fence.

Section 4-Taxes and Insurance

Robert Hopkins: And the fence. Alright, Section 4 Taxes and Insurance; Real Estate Tax; \$9,117.93; trailer fees; \$2,232.00 something we cannot change, that's a City Ordinance; Worker's Comp Insurance; \$45.00, more than reasonable; and the General Liability Insurance, again, is that proposed or actual?

Owner? That's actual.

Robert Hopkins: So you're paying \$859.20 for Kon Tiki's liability insurance? Alright, that's their expense projections. Want to add this up? I think we agree to the \$50,410.00 of the actual appropriate expenses for this time until they amortize. What their asking for is an increase of \$67%. The rent increase requested is \$108.13 per month for each tenant. Let's take a vote on the expense side. By the calculations we determined that the reasonable expenses projected for

2010 for Kon Tiki with subtraction of projects that should be amortized is \$50,410.00. Motion to Agree?

Ron Lafond: I make a Motion; and seconded. *Motion passes unanimously.*

Robert Hopkins: For this year we reduce it from \$108.13 increase based upon if we decided to use the current...if you cut it in half we use a 6.5% we use a 3.25 % rate because there is no mortgage at this time.

David Sanborn: Inaudible.

Robert Hopkins: Attorney Lessing, do you have any comments on our deliberation as far as the FNOI, that's just something for us to discuss and come up with a method that we find appropriate. We are not required to go with anything other the fact that we discussed it, vented it fully, voted on it democratically, that's all that the law requires. I think meeting them half way is a reasonable thing to do, on the other hand, they are entitled to an increase in rent.

Robert Hopkins: There's no retroactive.

Sharyn Riley: Exactly.

Robert Hopkins: How do we want to proceed, we may have to postpone this decision until our following meeting. Due to the nature of time we will table this action on the setting of the rate until the next meeting which is March 14th @ 6:00 p.m. They are open meetings, you can attend.

Ronald Lafond: I make a Motion to adjourn.

Robert Hopkins: Motion to adjourn at 8:30 p.m.